Perkins Loans from A – Z

Presented by: Nancy Paris, RMS-Recovery Management Services, Inc.
and
Jeff "JP" Pfund, University of Wisconsin-Madison

Perkins Loans from A – Z

"Everything you've always wanted to know about Perkins but were afraid to ask!"

The Basics

The Federal Perkins loan program is the oldest federal loan program and was established in response to the Soviet Union launching Sputnik in 1957. The program was created to encourage college enrollment to produce teachers. It is a revolving loan program so any money repaid is lent out to future borrowers. These loans are given to students with financial need. All Perkins loans are originated by the school the student attends and the school is responsible for the servicing of the loan.

- Interest rate = 5% - does not accrue while in-school and in qualified deferment periods. Interest is never capitalized unless there is a judgment awarded;
- The initial grace period is nine (9) months with no payments due. If borrower goes back to school, they are entitled to an additional six (6) months of grace after completing the deferred period;

The Basics

- The minimum monthly payment is $40.00 and the loan must be paid within 10 years (not including qualified periods of deferment). The payment amount is increased if the balance will not be paid in 10 years;
- The borrower is reported to credit bureau from the point of disbursement;
- Late charges may be assessed but cannot exceed 20% of the current payment due. They stop accruing once an account has been referred to collection;
- Borrowers are eligible to cancel up to 100% of their loan for various teaching and public service positions such as a nurse, public defender or law enforcement.
- There is no statute of limitations on Perkins Loans;
- The Perkins promissory note allows for the addition of collection fees for defaulted borrowers at a maximum of 30% for first placements and 40% for reassigned and legal accounts;
- For purposes of calculating the cohort default rate, an account is defined as defaulted when they reach 240 days past due if billed monthly or 270 days past due if billed quarterly.

The Specifics

- The lending institution is responsible for billing and collection of these loans. Many schools use a servicer (i.e. ECSI, UAS or Xerox) to perform these functions. There are specific due diligence requirements related to the number of billing notices and what attempts must be made to collect these accounts;

- Students are eligible for deferment/hardship and forbearance while in repayment. To learn more, please review the Student Financial Aid Handbook at http://ifap.ed.gov/fsahandbook/attachments/1516FSAHbkVol6Ch4.pdf;

- Students may cancel a Perkins loan through certain types of public service (teaching, nursing, EMT, firefighter, etc.) A certain percentage is cancelled for each full year of service with most loans cancelled in full after 5 full years of service. For further information, please see the Student Financial Aid Handbook at http://ifap.ed.gov/fsahandbook/attachments/1516FSAHbkVol6Ch4.pdf;

- When all due diligence efforts have failed and the borrower is delinquent, the institution is required to collect the debt using their own staff or they may refer the account to an external collection agency or attorney. An account is never "assigned" to an agency as a Perkins loan may only be assigned to the Department of Education;

The Specifics

- When all due diligence efforts have failed and the borrower is delinquent, the institution is required to collect the debt using their own staff or they may refer the account to an external collection agency or attorney. An account is never "assigned" to an agency as a Perkins loan may only be assigned to the Department of Education;

- Most lending institutions accelerate loans prior to agency placement although it is not a requirement. If a loan is accelerated, the lending institution must provide a notification of intent to accelerate 30 days prior to acceleration and a notification when the acceleration has occurred indicating the total amount due. When an account is accelerated, the borrower loses all rights to deferments and cancellations performed after the date of acceleration. However, clients often times will accept deferments on accelerated Perkins, particularly if the loan is a current year Cohort account, or if the student was eligible for the deferment prior to acceleration.

The Specifics

- When a Perkins Loan is referred to an agency, the account may only be retained for 12 months unless the agency has negotiated a regular repayment plan by the end of the 12 month period or if litigation is being pursued;

- If the first 12 month collection effort fails, the institution must attempt a second collection attempt by using another collection agency, referring the account to an attorney for litigation or assigning the loan back to the Department of Education;

- Perkins loan borrowers can rehabilitate their defaulted loan by making 9 on-time consecutive payments and signing a loan rehabilitation agreement. The payment amount is determined by the client, but must be considered "reasonable". Once loan rehabilitation is completed, the borrower's credit is cleared and they then enter into a new repayment plan and have 9 years and 3 months to pay their loan in full. They are also eligible to receive additional financial aid if they go back to school. A borrower is only allowed to successfully rehabilitate a Perkins loan once over the course of their repayment;

The Specifics

- Perkins Loans can be consolidated into a Direct Consolidation Loan if borrowers include at least one Direct Loan or Federal Family Education Loan (FFEL) in their request. Perkins Loans cannot be included in a Direct Consolidation Loan by themselves. It is important to note that Perkins Loan borrowers who consolidate lose their Perkins benefits such as service cancellations and no interest accrual during deferred periods;

- Borrowers can have their Perkins Loans discharged in the event of their death, total and permanent disability (TPD) or if their school closes and they are unable to complete their program;

- Litigation is an option for Perkins Loans as long as they meet required criteria (i.e. can be served, has assets, has no known defense to bar judgment, etc.). However, a school must determine if the projected cost of the litigation (including attorneys' fees) outweighs what they can expect to collect from the borrower. Once a judgment is rendered, the loan cannot be consolidated;

The Specifics

- Perkins Loans are generally non-dischargeable in bankruptcy unless the borrower can prove that it would be an “undue hardship” to repay the loan;

- When all other attempts to collect the debt have failed, an institution may assign the loan to the Department of Education for collection. The loan must be accelerated prior to assignment if this did not occur earlier in the collection cycle. Once this is done, the institution relinquishes all rights to any future repayments received on the account.

Perkins Resources

There are many resources available to assist you in managing your Perkins Loan portfolio. Your membership in COHEAO provides a wealth of knowledge from those who are passionate about helping students and committed to the continuance of the program.

- COHEAO – www.coheao.com
- Consumer Financial Protection Bureau – www.consumerfinance.gov
- Federal Student Financial Aid Handbook – http://www.ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&awardyear=2015-2016
- IFAP (Information for Financial Aid Professionals) – www.ifap.ed.gov
- IFAP – Specific for Campus Based Programs – www.ifap.ed.gov/ifap/cbp.jsp
- NACUBO (National Association of College and University Business Officers) – www.nacubo.org
- NAICU (National Association of Independent Colleges and Universities) – www.naicu.edu
- NASFAA (National Association of Student Financial Aid Administrators) – www.nasfaa.org
- Student Aid Alliance – www.studentaidalliance.org
- Federal Student Financial Aid Handbook – www.ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&awardyear=2015-2016
- The SmartStudent Guide to Financial Aid – www.finaid.org
- US Department of Education – www.ed.gov

Perkins Resources

- LMS List Serv – A resource which helps facilitate the collection of campus-based student loans by the mutual sharing of knowledge. To subscribe to the list:

  email listmanager@listserv.unc.edu

  leave the subject line blank

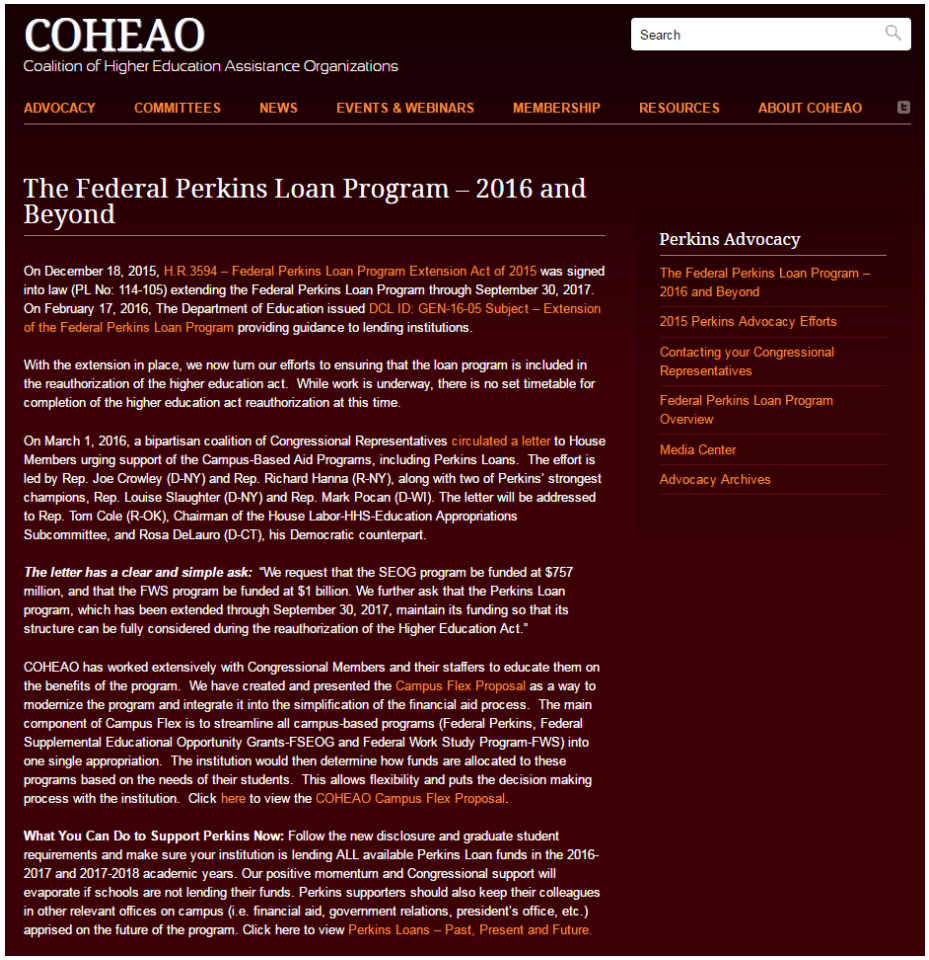
  email text should read subscribe LMS

- Bursar List – This list is managed by NACUBO. While your institution does not have to be a member of NACUBO to participate, you must have a "My NACUBO" profile in order to access the list.
  http://www.nacubo.org/Membership_and_Community/eGroups_and_Listservs.html

- The Orange Book – Ever wonder how your institution's default rate compares to similar institutions? The Federal Perkins Loan Program Status of Default, known as the Orange Book, is a report that lists each school that participated in the Federal Perkins Loan (Perkins Loan) Program during an award year and provides a cohort default rate for each school. This report is based on data submitted by schools in the applicable Fiscal Operations Report and Application to Participate (FISAP).
  http://ifap.ed.gov/perkinscdrguide/attachments/1415PerkinsCDR.pdf

Perkins Resources

Perkins Resources



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Coalition of Higher Education Assistance Organizations

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The Federal Perkins Loan Program – 2016 and Beyond

On December 18, 2015, H.R.3594 – Federal Perkins Loan Program Extension Act of 2015 was signed into law (PL No: 114-105) extending the Federal Perkins Loan Program through September 30, 2017. On February 17, 2016, The Department of Education issued DCL ID: GEN-16-05 Subject – Extension of the Federal Perkins Loan Program providing guidance to lending institutions.

With the extension in place, we now turn our efforts to ensuring that the loan program is included in the reauthorization of the higher education act. While work is underway, there is no set timetable for completion of the higher education act reauthorization at this time.

On March 1, 2016, a bipartisan coalition of Congressional Representatives circulated a letter to House Members urging support of the Campus-Based Aid Programs, including Perkins Loans. The effort is led by Rep. Joe Crowley (D-NY) and Rep. Richard Hanna (R-NY), along with two of Perkins' strongest champions, Rep. Louise Slaughter (D-NY) and Rep. Mark Pocan (D-WI). The letter will be addressed to Rep. Tom Cole (R-OK), Chairman of the House Labor-HHS-Education Appropriations Subcommittee, and Rosa DeLauro (D-CT), his Democratic counterpart.

The letter has a clear and simple ask: "We request that the SEOG program be funded at $757 million, and that the FWS program be funded at $1 billion. We further ask that the Perkins Loan program, which has been extended through September 30, 2017, maintain its funding so that its structure can be fully considered during the reauthorization of the Higher Education Act."

COHEAO has worked extensively with Congressional Members and their staffers to educate them on the benefits of the program. We have created and presented the Campus Flex Proposal as a way to modernize the program and integrate it into the simplification of the financial aid process. The main component of Campus Flex is to streamline all campus-based programs (Federal Perkins, Federal Supplemental Educational Opportunity Grants-FSEOG and Federal Work Study Program-FWS) into one single appropriation. The institution would then determine how funds are allocated to these programs based on the needs of their students. This allows flexibility and puts the decision making process with the institution. Click here to view the COHEAO Campus Flex Proposal.

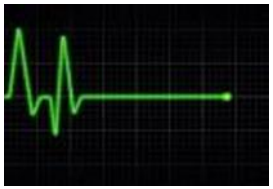
What You Can Do to Support Perkins Now: Follow the new disclosure and graduate student requirements and make sure your institution is lending ALL available Perkins Loan funds in the 2016-2017 and 2017-2018 academic years. Our positive momentum and Congressional support will evaporate if schools are not lending their funds. Perkins supporters should also keep their colleagues in other relevant offices on campus (i.e. financial aid, government relations, president's office, etc.) apprised on the future of the program. Click here to view Perkins Loans – Past, Present and Future.

Perkins Advocacy

- The Federal Perkins Loan Program – 2016 and Beyond
- 2015 Perkins Advocacy Efforts
- Contacting your Congressional Representatives
- Federal Perkins Loan Program Overview
- Media Center
- Advocacy Archives

Perkins rises from the ashes…

Here are some images that sum up the fight to extend the Federal Perkins Loan Program in 2015…



H.Res.294

S.Res.267

H.R.3594

Perkins rises from the ashes…

2015 was a roller-coaster year for the Perkins Loan Program. The following efforts were undertaken to prevent the program from expiring as of September 30, 2015.

- **Save Perkins Now Petition at change.org**
- In early 2015, Maria Livolsi, COHEAO President and the Director of the Student Loan Service Center at SUNY initiated the "Save Perkins Now" petition at change.org. Our members and the education community shared this link with students, faculty, staff members and alumni and to date, over 21,000 people have shown support by signing this petition. When a supporter signs the petition, an email message is generated to the Congressional Member in the supporter's district.

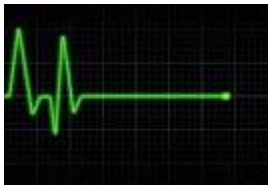
- **House Resolution 294 (June 3, 2015)**
- On June 3, 2015, Rep. Luke Messer (R-IN) along with co-sponsor Rep. Mark Pocan (D-WI) introduced a bipartisan resolution stating Congress' support for the continuation of the Perkins Loan Program. Messer and Pocan, both members of the House Education and the Workforce Committee, sought additional cosponsors on the resolution and ended up with a total of 58.

- **Perkins Dear Colleague Letter (June 16, 2015)**
- On June 16, 2015, Rep. Louise Slaughter (D-NY) issued a Dear Colleague Letter (DCL) supporting the reauthorization of the Federal Perkins Loan Program and asked for the support and signatures of other Members of Congress. When her letter was issued on September 2, 2015 to the Chairman and Ranking Member of the Education and the Workforce Committee, she had obtained support from 95 Members of Congress.

Perkins rises from the ashes…

- **Senate Resolution 267 (September 24, 2015)**
- On September 24, 2015, Sen. Tammy Baldwin (D-WI) introduced S.Res.267 – A resolution expressing support for the continuation of the Federal Perkins Loan Program. Along with 19 original cosponsors, the resolution was supported by 28 Senators. This was a companion bill to the House H.R.3594 –The Higher Education Extension Act which was passed by the US House of Representatives on a voice vote on September 28, 2015.

- Senator Baldwin would take the fight to the Senate floor several times before the program expired September 30, 2015.



- **Industry Support Letter to Congress to Extend the Perkins Loan Program (November 20, 2015)**
- On November 20th, a letter of support was sent to all Congressional Offices urging our leaders to pass House bill H.R.3594 to extend the program by any means necessary. The letter was signed by 53 higher education organizations (including COHEAO) and 535 institutions of higher education.

Perkins rises from the ashes…

Through the efforts of many congressional leaders who steadfastly supported the program, a compromise was reached in December, 2015 which resulted in the two-year extension of the Federal Perkins Loan Program. H.R.3594 – Federal Perkins Loan Program Extension Act of 2015 became effective December 18, 2015 when it was signed into law as Public Law No: 114-105.

While the changes enacted were far from ideal, loans are available to students and the program remains alive heading into the HEA reauthorization debate. There were extraordinary efforts put forth by members of the higher education community to push for this extension. College and university presidents, national and regional higher education associations, student groups and Members of Congress worked together to show their support and communicate the importance of the Perkins Loan Program for students with need. While the list of supporters is long, we do want to give special thanks to Senator Tammy Baldwin (D-WI), Representative Mark Pocan (D-WI) and Congresswoman Louise Slaughter (D-NY) for their tireless efforts and leadership, which made the extension a reality.

Our Perkins Champions!

While many members of Congress offered their support of the program, we highlight the members below who went above and beyond to support the continuance of the program.

Top – Rep. Luke Messer (R-IN), Rep. Mike Bishop (R-MI), Sen. Kelly Ayotte (R-NH), Rep. Mark Pocan (D-WI), Sen. Bob Casey (D-PA)
Bottom – Sen. Tammy Baldwin (D-WI), Sen. Rob Portman (R-OH), Rep. Louise Slaughter (D-NY), Sen. Susan Collins (R- ME), Sen. Patty Murray (D-WA)

THE FEDERAL PERKINS LOAN PROGRAM
Past, Present, and Future

Over the past year, Perkins Loans have received unprecedented support in Congress. However, the program's expiration and subsequent revival has led to some confusion. Examining the past, present, and future of Perkins Loans offers insights on the status and potential path forward for the program.

Past: The Perkins Loan Program is the nation's oldest student loan program. It even predates the *Higher Education Act*. However, as the growth of Stafford and PLUS Loans in the FFELP and Direct Loan Programs continued, policymakers have often viewed Perkins as duplicative of the larger student loan programs. The Clinton, Bush, and Obama Administrations have all proposed to eliminate the Perkins Loan Program, but Congress has always rejected those proposals.

Present: In 2015, the Perkins Loan Program temporarily expired. It was revived, with some small changes, at the end of the year. It was not a push by a President that led to the program's temporary expiration. Rather, it was the deadline of a pre-existing budget provision calling for the federal share of Perkins Loans to be returned to the US Treasury. In reviving the program, Congress extended this deadline by two years and added some new requirements for Perkins Loans.

The new law allows for loans to existing graduate students through September 30, 2016 and eligible undergraduate students through September 30, 2017, with subsequent disbursements through the end of the associated academic year, as long as the loan is disbursed prior to September 30. The Department of Education provided guidance on The *Perkins Loan Extension Act of 2015*, which included five (5) new disclosure requirements. COHEAO has developed a model disclosure form for all schools to use in order to be in compliance with the new requirements, which is available on our website.

Future: The Perkins Loan Program will again face expiration in 2017. The *Higher Education Act* (HEA) is a vehicle for continuation and potential reforms, but the timetable for reauthorization of the HEA is uncertain. However, there is unprecedented support on Capitol Hill as demonstrated through the Congressional battle of 2015. COHEAO and Perkins advocates nationwide, together with our champions in Congress are well positioned to leverage the momentum and fight for the long-term continuation of the Perkins Loan Program.

COHEAO has created and presented the Campus Flex Proposal as a way to modernize the program and integrate it into the simplification of the financial aid process. The main component of Campus Flex is to streamline all campus-based programs into one single appropriation. The institution then determines how funds are allocated to the programs based on the needs of their students, offering flexibility and control at the institution. COHEAO is working within the higher education community and with Perkins Loan champions in Congress to encourage the adoption of Campus Flex or other plans to maintain and improve the Perkins Loan Program.

What You Can Do to Support Perkins Now: Follow the new disclosure and graduate student requirements and make sure your institution is lending **ALL** available Perkins Loan funds in the 2016-2017 and 2017-2018 academic years. Our positive momentum and Congressional support will evaporate if schools are not lending their funds. Perkins supporters should also keep their colleagues in other relevant offices on campus (i.e. financial aid, government relations, president's office, etc.) apprised on the future of the program.

6/10/2016

Hot topics in Perkins

- New Perkins Disclosure Requirements
- New Deferment Forms
- Excess Cash requirements
- Total and Permanent Disability
- Perkins Assignments – PLAS
- Federal Student Aid Complaint Portal

New Perkins Disclosure Requirements

The Perkins Loan Extension Act revived the Perkins Loan Program, but it also added new disclosure requirements. After receiving the initial guidance from the Department of Education in the form of DCL-GEN-16-05, COHEAO immediately formed a workgroup among industry leaders from both schools and their vendor partners to develop a model disclosure form designed to help schools comply with the Perkins Loan Extension Act.

The group worked collaboratively and quickly, producing the model forms. Perkins Loan servicers have also indicated they are incorporating the new disclosures into their unique services and processes. As always, please consult on-campus counsel before using these forms, but we are confident this document incorporates the new requirements and the spirit of the law.

COHEAO would like to extend a special thanks to the workgroup for leading the efforts in developing these model forms.

The model forms are available in both PDF and Word versions on the COHEAO website at www.coheao.com.

New Perkins Disclosure Requirements

In addition to the disclosures required under 34 CFR 674.16, under the Extension Act, a school must provide the following disclosures to each Perkins Loan borrower before it makes a first disbursement of a Perkins Loan:

- A notice and explanation regarding the end to future availability of Perkins Loan Program loans;
- A notice and explanation that repayment and forgiveness benefits available to Direct Loan borrowers are not available to Perkins Loan borrowers;
- A notice and explanation regarding the borrower's option to consolidate a Perkins Loan into a Direct Consolidation Loan, including any benefit of consolidation;
- For current undergraduate borrowers (as described above), a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans, and informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans for which the borrower is eligible; and
- For new undergraduate borrowers (as described above), a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans, and informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized and Unsubsidized Stafford Loans for which the borrower is eligible.

Federal Perkins Loan Disclosure Statement
_____Academic Year

School Name _____

_____
(School/Campus address)

Borrower: _____ SSN: _____-_____-_____
Last First MI

$_____	$_____	$_____	_____%
Current Academic Year's Award	Total Cumulative Loan(s) To Date	Estimated Monthly Payment	Interest Rate

You are eligible to receive Federal Perkins Loan funds through September 30, 2017 under the Federal Perkins Loan Program Extension Act of 2015. Absent Congressional action to reauthorize the Federal Perkins Loan Program, the program will expire on 9/30/2017. Federal Perkins Loan disbursements are now subject to the following terms and conditions of the Extension Act:

1. **The Extension Act of 2015:**
   The Federal Perkins Loan Program Extension Act of 2015 was signed into law on December 18, 2015. The Extension Act authorizes institutions of higher education to award new Perkins Loans to eligible students through September 30, 2017.
2. **Use of Loan Funds:**
   You may only use your loan funds to pay educational expenses at the institution that certified your loan eligibility. If you accept this loan, your eligibility for other student assistance may be affected.
3. **Loan Limits:**
   To be eligible to receive a Perkins Loan, you must have been awarded the maximum annual Direct Subsidized Loan and in certain cases the maximum annual Direct Unsubsidized Loan for which you are eligible. The Federal Perkins Loan program has varying loan limits depending on your year in school, dependency status, and amount awarded by the institution. Limits for undergraduates are $5,500 per year with a maximum of $27,500. For eligible graduate or professional students, the annual loan limit is $8,000 with a cumulative maximum of $60,000 including amounts borrowed as an undergraduate.
4. **Enrollment Status:**
   If you do not maintain an enrollment status of at least half-time, your loan will enter repayment after the 9-month grace period.
5. **Repayment:**
   Repayment and accrual of interest at an annual rate of 5% will begin following the expiration of your grace period.
   All payments and related correspondence can be sent to _____.
   You promise to repay the full loan amount with all interest and fees generally within ten (10) years. The minimum monthly repayment of this loan is $40.00. You may prepay this loan, make loan payments before they are required, or in amounts that are greater than required, at any time without penalty. In some circumstances the loan may be deferred for student status, economic hardship, unemployment, military service, or cancellation service. A Department of Defense repayment program may be available for specified military service.
6. **Credit Bureau Notification:**
   Your loan will be reported to one or more national credit bureaus on a monthly basis.
7. **Default:**
   Your loan may be considered in default if terms and conditions of the loan note are not followed. Defaulted loans may be subject to late fees, accelerated (full balance due and payable), referred to a collection agency, and/or litigated.
8. **Collection Fees:**
   A late payment fee may be charged for each individual scheduled payment that is missed. If your delinquent account is referred to collections, a collection agency or an attorney for litigation, you may be responsible to repay 100% of the cost to collect the loan including collection fees and litigation costs. This may include a percentage based collection fee system.

9. **Consolidation, Forgiveness, and Alternative Repayment plans:**
A Federal Perkins loan may be consolidated. Consolidating your federal education loans can simplify your payments, but it can also result in the loss of some benefits. Please weigh the pros and cons and decide if a Direct Consolidation Loan is right for you. More information can be found at https://studentaid.ed.gov/ and https://studentloans.gov

Advantages of Consolidation:

- Combine multiple loans into one
- Can lower monthly payments
- Up to 30 years to repay
- Fixed interest rate
- Access to forgiveness programs such as Public Student Loan Forgiveness (PSLF) and Teacher Loan Forgiveness (TLF). See #12 below
- Access to alternative Income Driven Repayment plans such as Pay As You Earn. See #12 below

Disadvantages of Consolidation:

- A longer repayment period may result in more payments and more interest
- Possible loss of some deferment and forbearance benefits
- Possible loss of some cancellation benefits, see #10 below
- Possible loss of grace period
- Possible loss of the interest subsidy
- Possible increase in the interest rate

10. **Cancellation:**
You may be entitled to have up to 100% of the original principal loan amount forgiven on your Perkins loan if you perform qualifying service in an eligible profession such as teaching, early intervention, law enforcement or corrections, nurse or medical technician, child or family service, attorney in a defender organization, firefighter, Tribal or University faculty, librarian, speech-language pathologist, service in an early childhood education program, military, and volunteer service. Refer to your Federal Perkins MPN for eligibility and details.*

11. **Direct Loan Limits and Federal Loan Interest Rate Comparison:**
Direct Subsidized and Unsubsidized loans have varying loan limits depending on your year in school, dependency status, and amount awarded by the institution. In general aggregate loan limits are $31,000 for dependent students, $57,500 for independent students, and $138,500 for graduate or professional students. More detailed information regarding loan limits between subsidized and unsubsidized loans can be found at https://studentaid.ed.gov/. For loans disbursed on or after July 1, 2015 and before July 1, 2016 the interest rate comparison is:

Loan Program	Interest Rate	Degree Level
Direct Subsidized Loan	4.29% fixed	Undergraduate
Direct Unsubsidized Loan	4.29% fixed	Undergraduate
Direct Unsubsidized Loan	5.84% fixed	Graduate or Professional
Federal Perkins Loan	5.00% fixed	Undergraduate and Graduate

12. **Additional Resources:**

Resource Description	Website
Higher Education Finance website	https://studentaid.ed.gov/
Student loan website, FAFSA link, and FSA ID	https://studentloans.gov
Government or Non-Profit Forgiveness Program	https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service
Manage student loan debt by reducing payments	https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven
Full Time Teacher Forgiveness Program	https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher

I have received, reviewed and understand this disclosure notice regarding the Federal Perkins Loan program. I accept the Perkins loan awarded for this academic year and acknowledge the cumulative amount borrowed from this campus

Borrower's signature **Date**

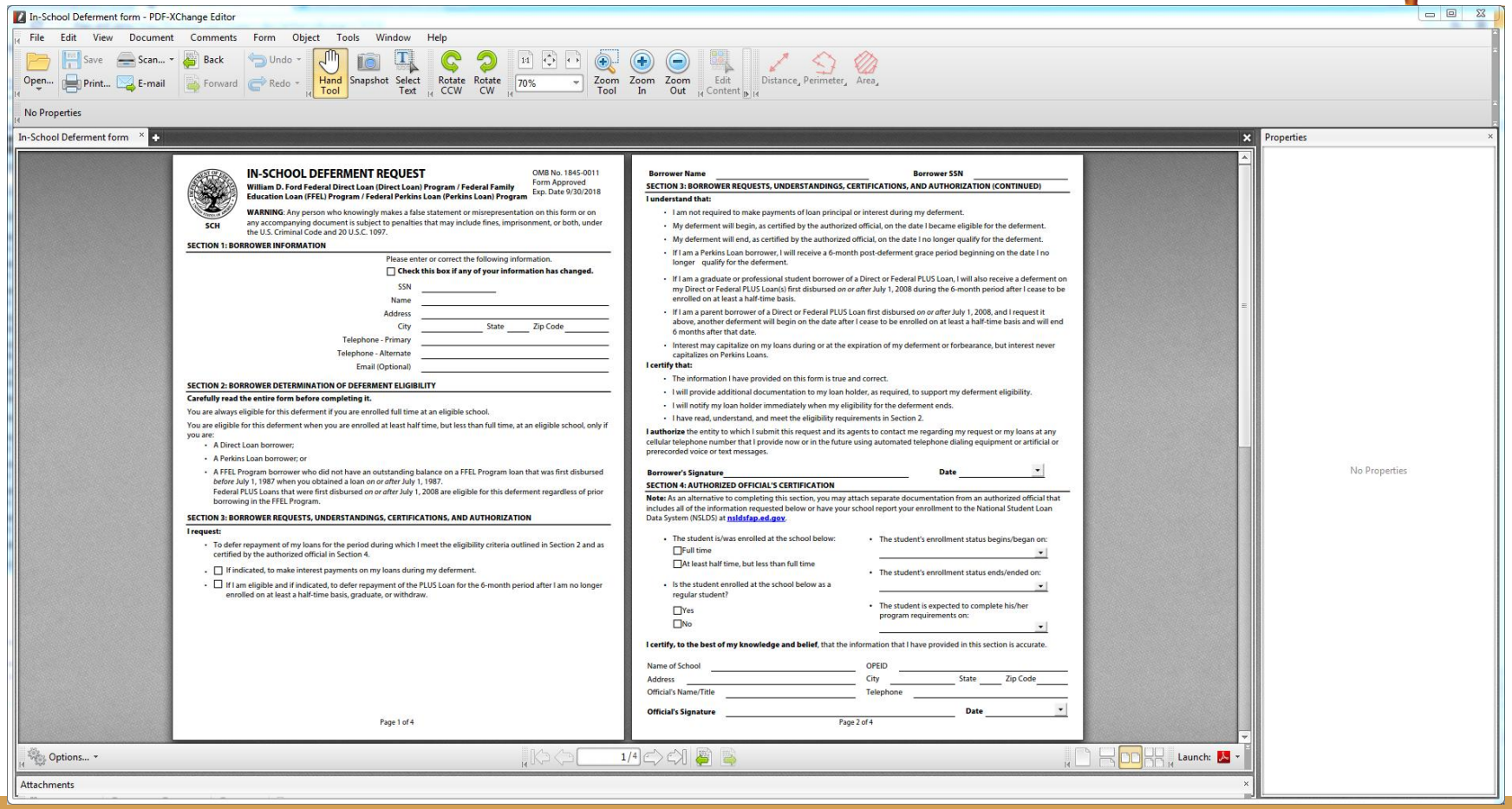
*The "Terms and Conditions" of your Federal Perkins Loan Master Promissory Note (MPN) provide you with additional detailed information regarding your rights and responsibilities and benefits such as deferment and forbearance.

New Perkins Deferment Forms

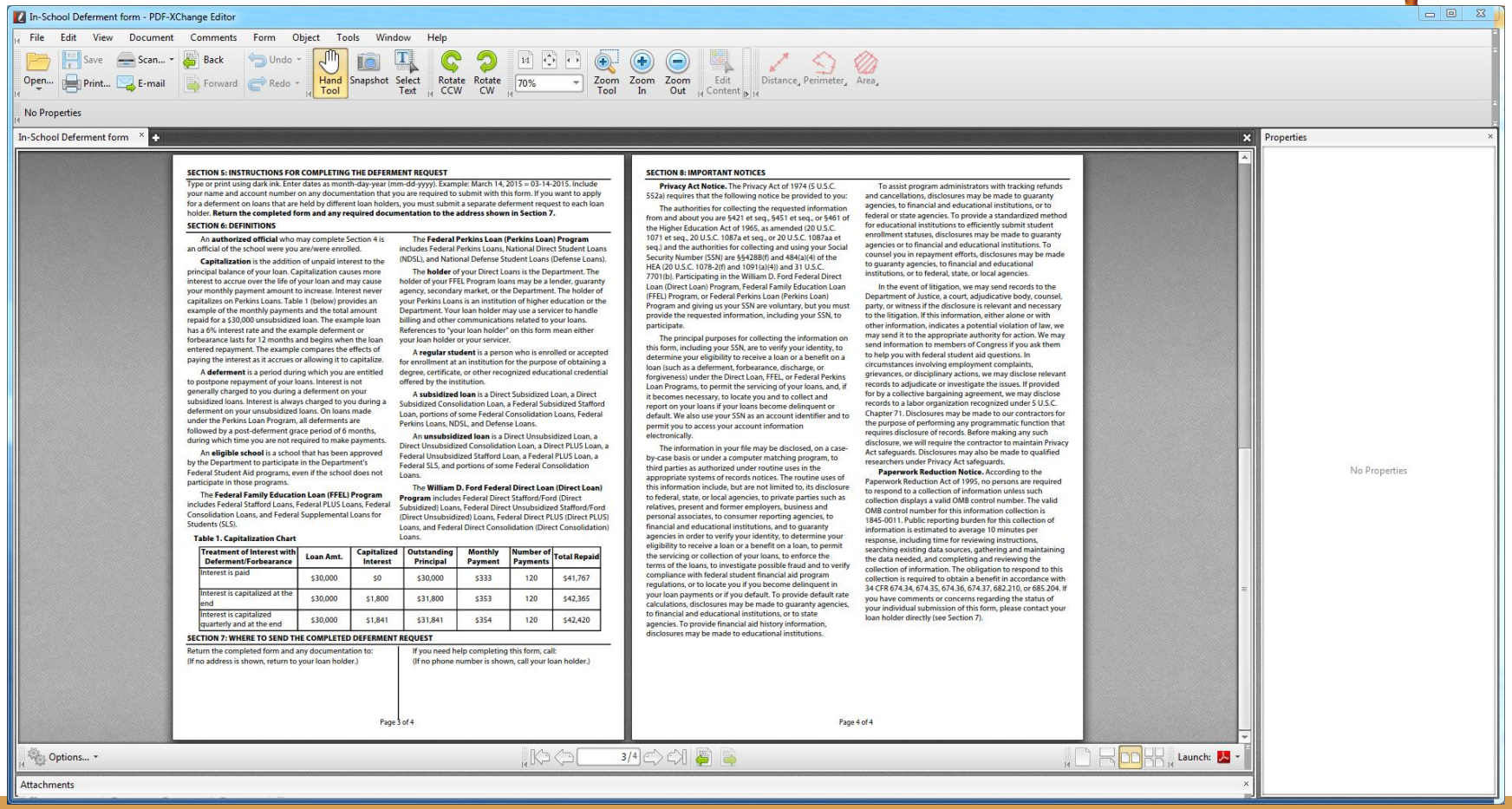
In 2015, in an effort to streamline the deferment/forbearance process for borrowers, the Department of Education solicited comments on proposed changes to deferment/forbearance forms which would be used for all Direct, FFEL and Perkins loans. COHEAO met with Department officials and provided feedback related to the use of these combined forms.

On January 29, 2016, the Department of Education issued DCL GEN-16-02, Subject: Approval of Deferment and Mandatory Forbearance Request Forms for the Direct Loan, FFEL, and Perkins Loan Programs. This letter outlined the requirements of the forms and provided PDF copies of the forms. The letter informs the higher education community that beginning June 1, 2016, only the revised forms with the 9/30/2018 expiration date may be provided to borrowers. However, the previous versions of the forms may continue to be accepted from borrowers and processed after that date. You may find the letter and forms in the link below: http://www.ifap.ed.gov/dpcletters/GEN1602.html

In-School Deferment Request



In-School Deferment Request



SECTION 5: INSTRUCTIONS FOR COMPLETING THE DEFERMENT REQUEST

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Example: March 14, 2015 = 03-14-2015. Include your name and account number on any documentation that you are required to submit with this form. If you want to apply for a deferment on loans that are held by different loan holders, you must submit a separate deferment request to each loan holder. **Return the completed form and any required documentation to the address shown in Section 7.**

SECTION 6: DEFINITIONS

An **authorized official** who may complete Section 4 is an official of the school were you are/were enrolled.

Capitalization is the addition of unpaid interest to the principal balance of your loan. Capitalization causes more interest to accrue over the life of your loan and may cause your monthly payment amount to increase. Interest never capitalizes on Perkins Loans. Table 1 (below) provides an example of the monthly payments and the total amount repaid for a $30,000 unsubsidized loan. The example loan has a 6% interest rate and the example deferment or forbearance lasts for 12 months and begins when the loan entered repayment. The example compares the effects of paying the interest as it accrues or allowing it to capitalize.

A **deferment** is a period during which you are entitled to postpone repayment of your loans. Interest is not generally charged to you during a deferment on your subsidized loans. Interest is always charged to you during a deferment on your unsubsidized loans. On loans made under the Perkins Loan Program, all deferments are followed by a post-deferment grace period of 6 months, during which time you are not required to make payments.

An **eligible school** is a school that has been approved by the Department to participate in the Department's Federal Student Aid programs, even if the school does not participate in those programs.

The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans, Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).

The **Federal Perkins Loan (Perkins Loan) Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loans).

The **holder** of your Direct Loans is the Department. The holder of your FFEL Program loans may be a lender, guaranty agency, secondary market, or the Department. The holder of your Perkins Loans is an institution of higher education or the Department. Your loan holder may use a servicer to handle billing and other communications related to your loans. References to "your loan holder" on this form mean either your loan holder or your servicer.

A **regular student** is a person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by the institution.

A **subsidized loan** is a Direct Subsidized Loan, a Direct Subsidized Consolidation Loan, a Federal Subsidized Stafford Loan, portions of some Federal Consolidation Loans, Federal Perkins Loans, NDSL, and Defense Loans.

An **unsubsidized loan** is a Direct Unsubsidized Loan, a Direct Unsubsidized Consolidation Loan, a Direct PLUS Loan, a Federal Unsubsidized Stafford Loan, a Federal PLUS Loan, a Federal SLS, and portions of some Federal Consolidation Loans.

The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Federal Direct Stafford/Ford (Direct Subsidized) Loans, Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans, Federal Direct PLUS (Direct PLUS) Loans, and Federal Direct Consolidation (Direct Consolidation) Loans.

Table 1. Capitalization Chart

Treatment of Interest with Deferment/Forbearance	Loan Amt.	Capitalized Interest	Outstanding Principal	Monthly Payment	Number of Payments	Total Repaid
Interest is paid	$30,000	$0	$30,000	$333	120	$41,767
Interest is capitalized at the end	$30,000	$1,800	$31,800	$353	120	$42,365
Interest is capitalized quarterly and at the end	$30,000	$1,841	$31,841	$354	120	$42,420

SECTION 7: WHERE TO SEND THE COMPLETED DEFERMENT REQUEST

Return the completed form and any documentation to:
(If no address is shown, return to your loan holder.)

If you need help completing this form, call:
(If no phone number is shown, call your loan holder.)

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SECTION 8: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., or §461 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., or 20 U.S.C. 1087aa et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, or Federal Perkins Loan (Perkins Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, or Federal Perkins Loan Programs, to permit the servicing of your loans, and, if it becomes necessary, to locate you and to collect and report on your loans if your loans become delinquent or default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loans, to enforce the terms of the loans, to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions.

To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0011. Public reporting burden for this collection of information is estimated to average 10 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 674.34, 674.35, 674.36, 674.37, 682.210, or 685.204. If you have comments or concerns regarding the status of your individual submission of this form, please contact your loan holder directly (see Section 7).

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Excess Cash Requirements

The Perkins Loan Program requires that institutions calculate and return to the Department the Federal share of any Excess Liquid Capital (ELC) in your institution's Federal Perkins Loan Revolving Fund no later than December 31 of each year. ELC is defined as the amount of the Fund's "Cash On Hand" that is in excess of the institution's estimated immediate needs.

On September 29, 2015, the Department of Education issued DCL ID: GEN-15-19; Perkins Loan Program – Excess Liquid Capital. This caused some confusion to institutions as it was released just prior to the expiration of the program so many thought it was a new requirement. Due to this confusion, some schools returned more money than the should have but did have an opportunity to appeal the return. The letter is available at: http://ifap.ed.gov/dpcletters/GEN1519.html

On June 24, 2016, Federal Student Aid (FSA) sent out an electronic announcement reminding institutions that they are required to return to the Department of Education the Federal share of any Excess Liquid Capital (ELC) in the institution's Federal Perkins Loan Revolving Fund. The announcement notes the ELC guidance is not related to a potential expiration of Perkins and speaks to a modified process for the calculation. The announcement can be found at: http://ifap.ed.gov/eannouncements/062416PerkinsLoanExcessLiquidCapitalProcessChange.html

Excess Cash Requirements

Here's an excerpt from the announcement which indicates that the process is changing:

Last year we established the process for identifying ELC and the process for institutions to use to return the Federal share of any ELC to the Department. The process for informing Federal Perkins Loan Program participating institutions that there is Excess Liquid Capital in their Perkins Loan Revolving Fund will be modified based on information institutions will report on their next FISAP that is due September 30, 2016.

We will be informing the community, prior to the September 30, 2016 FISAP due date, how the Department will calculate ELC and the process by which institutions will be required to remit the Federal share of any calculated Perkins ELC to the Department. We anticipate this modified process will simplify efforts for institutions determined to have Excess Liquid Capital in their Perkins Loan Revolving Fund and facilitate the return of the Federal share of such funds to the Department.

COHEAO is monitoring this change carefully and will keep its members apprised of any additional clarification once received from the Department of Education.

Total and Permanent Disability

Federal Perkins Loan borrowers are eligible to have their loans cancelled due to total and permanent disability. There are three provisions to determine eligibility:

- Veterans may submit documentation from the U.S. Department of Veterans Affairs (VA) showing that the VA has determined that the borrower is unemployable due to a service-connected disability;
- Borrowers who are receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits may submit a Social Security Administration (SSA) notice of award for SSDI or SSI benefits stating that their next scheduled disability review will be within 5 to 7 years from the date of their most recent SSA disability determination;
- Borrowers may submit certification from their physician that they are totally and permanently disabled. The borrowers physician must certify that the borrower is unable to engage in any gainful activity by reason of medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months, or can be expected to last for a continuous period of not less than 60 months.

This process has been streamlined and is administered by Nelnet. The TPD website is available at https://www.disabilitydischarge.com.

Total And Permanent Disability

On April 12, 2016, The US Department of Education posted a press release on their website announcing efforts to proactively identify and assist federal loan borrowers with disabilities who may be eligible for TPD loan discharge.

U.S. Department of Education Acts to Protect Social Security Benefits for Borrowers with Disabilities

The U.S. Department of Education announced today a new process to proactively identify and assist federal student loan borrowers with disabilities who may be eligible for Total and Permanent Disability (TPD) loan discharge. This effort was called for by President Obama in his Student Aid Bill of Rights, which details measures to make paying for higher education an easier and fairer experience for millions of Americans. The Higher Education Act allows for loan forgiveness for borrowers who are totally and permanently disabled. By proactively identifying and engaging borrowers who may be eligible for TPD loan discharge, the Department is fulfilling its commitment to ensure that borrowers who are totally and permanently disabled have the information needed to take full advantage of the debt relief to which they are entitled.

Total and Permanent Disability

Through the Treasury Offset Program (TOP), borrowers' defaulted debts owed to federal and state governments, including student loan debt, are paid down by offsetting other federal benefits that the debtor would receive, including Social Security Disability payments. The Department of Education has been working closely with the Social Security Administration (SSA) to complete a data match to identify federal student loan borrowers who also receive disability payments and have the specific designation of "Medical Improvement Not Expected" (MINE) which, because of a change in Department regulations in 2013, qualifies them for loan forgiveness under the TPD discharge program. This streamlined and more accurate process ensures that eligible borrowers receive loan discharges. Approximately 387,000 borrowers were positively identified in the first set of matches which were conducted in December 2015 and March 2016. In total, these borrowers have a combined loan balance of over $7.7 billion, and roughly 179,000 are currently in default. As required by federal law, over 100,000 of those borrowers with defaulted loans have been certified for the TOP, and are therefore at risk of losing federal tax refunds, and of having their Social Security benefits offset. Today's announcement will ease the process of obtaining forgiveness for these struggling borrowers and ensure they receive this entitlement under the law.

Total and Permanent Disability

Beginning on April 18, 2016, borrowers who were positively identified in the match will receive a customized letter explaining that the borrower is eligible for loan forgiveness and the simple steps needed to receive a discharge. Unlike other borrowers, those identified through the data match will not be required to submit documentation of their eligibility. Instead, they are eligible for a streamlined process by which they simply sign and return the completed application. Initial notification letters will be sent over a sixteen-week period and will be followed up with a second letter that will be sent 120 days after the initial letter if a signed application is not received. Notification will also include information to ensure borrowers understand the potential tax implications for this benefit and can make an informed decision about electing a discharge. Please refer here for more information about the TPD program and the loan forgiveness process for practitioners. We ask that this be shared with appropriate networks to reach the borrowers that this process aims to serve.

While the President's 2017 Budget proposal seeks to exclude TPD discharges and other Department of Education loan forgiveness programs from taxable income, unless Congress acts, loans discharged under the TPD program may be subject to taxation, depending on the specific circumstances of the borrower.

Going forward, this match will be conducted quarterly to ensure that newly eligible borrowers are aware of their options.

Perkins Assignments

When all attempts to collect a defaulted Perkins Loan fail, the institution has the option of retaining the account and hoping that someday the borrower will want their transcript or they may want to purchase a car or home. It's not unusual for a borrower with a defaulted loan to pay it off or consolidate years after the loan came due.

The institution may also assign the defaulted Perkins Loan back to the Department of Education. When this is done, the institution loses all rights to the account and their institutional contribution. The assignment process is now electronic through the Perkins Loan Assignment System (PLAS), although you must still send the original promissory note to ECSI, the Department of Education's contractor for Perkins Loan assignments.

For more information on loan assignment, please refer to the Federal Perkins Loan Program Assignment and Liquidation Guide at:

http://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf

Perkins Assignments

Supporting Documentation for Assignment of Perkins Loans – March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In-School or Grace	• Original Promissory Note or • Master Promissory Note with Disbursement Records	• Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation
In Repayment - No Default	• Original Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Certified True Copy of Front and Back of Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation
In Repayment – Default School Has Not Initiated Legal Action Against the Borrower	• Original Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Certified True Copy of Front and Back of Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation

Notes:

Disbursement record is the evidence supporting each disbursement and would include the date and amount of every disbursement

Repayment record is an accounting record or listing of each payment received for the Perkins Loan and would include any deferments, forbearance periods. If no payments have been received for the Perkins Loan this information would need to be included.

Perkins Assignments

Supporting Documentation for Assignment of Perkins Loans – March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In Repayment – Default Judgment Initiated – Decision Not Yet Rendered **Assignment by a School Not Liquidating or Closing**	Loan cannot be assigned until judgment is rendered		
In Repayment – Default Judgment Initiated – Decision Not Yet Rendered **Assignment by a School Liquidating or Closing**	• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor • All documents related to the school's filing the request for judgment • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor • All documents related to the school's filing the request for judgment • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor • All documents related to the school's filing the request for judgment • Approval letter from Federal Student Aid for other acceptable alternative documentation

Perkins Assignments

Supporting Documentation for Assignment of Perkins Loans – March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In Repayment – Default Judgment Rendered **Assignment Form Amount and the Judgment Amount Match**	• Original or certified true copy of the judgment • Original Promissory Note or Master Promissory Note • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• Original or certified true copy of the judgment • Certified True Copy of Front and Back of Promissory Note • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Approval letter from Federal Student Aid for other acceptable alternative documentation

Perkins Assignments

Supporting Documentation for Assignment of Perkins Loans – March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In Repayment – Default Judgment Rendered **Assignment Form Amount and Judgment Amount Do Not Match**	• School must work with FSA to determine amount that will be assigned • Original Promissory Note or Master Promissory Note • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• School must work with FSA to determine amount that will be assigned • Certified True Copy of Front and Back of Promissory Note • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• School must work with FSA to determine amount that will be assigned • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment. • Repayment records on all payments made prior to judgment (if available) • Approval letter from Federal Student Aid for other acceptable alternative documentation
Bankruptcy Initiated – Decision Not Yet Rendered **Assignment by a School Not Liquidating or Closing** (Applies to both non-defaulted and defaulted loans)	Loan cannot be assigned until court rules on the bankruptcy petition		

Perkins Assignments

Supporting Documentation for Assignment of Perkins Loans – March 2016

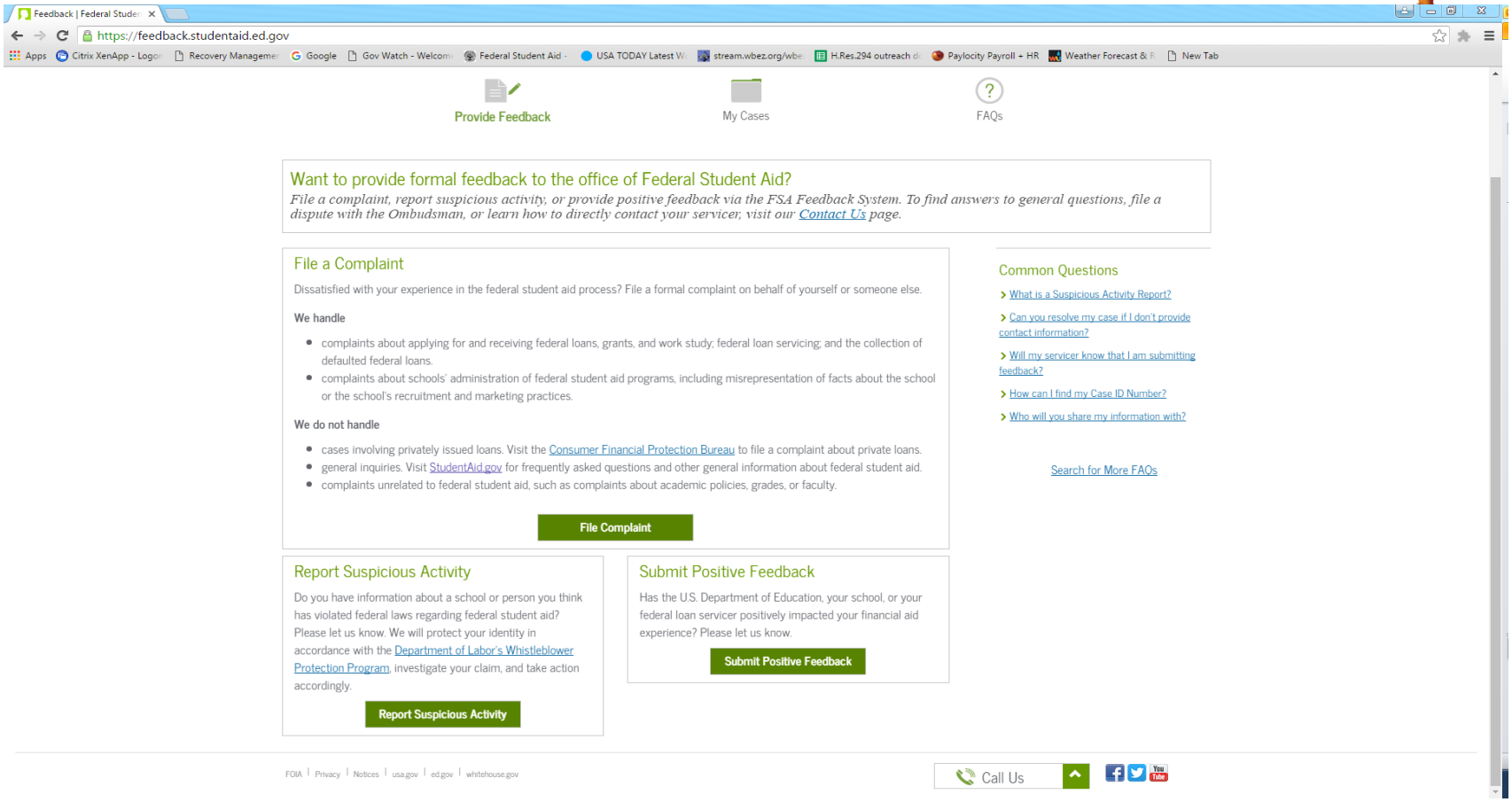
Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
Bankruptcy Initiated – Decision Not Yet Rendered **Assignment by a School Liquidating or Closing** (Applies to both non-defaulted and defaulted loans)	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Approval letter from Federal Student Aid for other acceptable alternative documentation
Bankruptcy Initiated – Final Ruling **Loan is not Discharged** (Applies to both non-defaulted and defaulted loans)	• All documents received or sent related to the bankruptcy filing, including court's determination • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• All documents received or sent related to the bankruptcy filing, including court's determination • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• All documents received or sent related to the bankruptcy filing, including court's determination • Approval letter from Federal Student Aid for other acceptable alternative documentation

Federal Student Aid Complaint Portal

On July 1, 2016, The Department of Education announced the implementation of the Federal Student Aid Complaint Portal. The site is designed to address complaints about applying for and receiving federal loans, grants, and work study; federal loan servicing; and the collection of defaulted federal loans. Students make also file complaints about schools' administration of federal student aid programs, including misrepresentation of facts about the school or the school's recruitment and marketing practices.

The full announcement can be found at: http://www.ed.gov/news/press-releases/new-feedback-system-launched-federal-student-aid-customers

Federal Student Aid Complaint Portal



Questions?

Please feel free to reach out to us if you have any further questions:

Nancy Paris
Vice President, Client Relations
RMS-Recovery Management Services, Inc.
630-657-1277
nparis@rmscollects.com

Jeff "JP" Pfund
Office of Student Financial Aid
University of Wisconsin-Madison
608-263-7100
jeff.pfund@wisc.edu

Thanks!